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Australia

Sugar Annual

2000

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Report Highlights:
The 1999/2000 sugar cane harvest is estimated at 40.6 MMT, a one percent increase on the 1998/99 season. This crop has experienced difficult seasonal conditions which has included a cyclone and flooding in the northern cane growing regions of Queensland. Sugar production during 2000/01 is forecast at 5.6 MMT, surpassing the record 1997/98 season. The Australian Bureau of Agricultural and Resource Economics (ABARE) projects sugar production to reach 6.5 MMT by 2004/05.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

The 1999/2000 sugar cane harvest is estimated at 40.6 MMT, a one percent increase on the 1998/99 season. The 1999/2000 crop experienced difficult seasonal conditions which has included a cyclone and flooding in the northern cane growing regions of Queensland. However the Commercial Cane Sugar (CCS) content for the 1999/2000 crop is expected to be around 13.5 percent, an increase of 1.3 percent on the previous year.

Assuming normal weather conditions, sugar production during 2000/01 is forecast at 5.6MMT, surpassing the record 1997/98 season.

The Australian Bureau of Agricultural and Resource Economics (ABARE) projects sugar production to reach 6.5 MMT by 2004/05. This projection partially relies on the continued expansion of the Ord River Scheme.

Adverse weather conditions in Queensland caused reduced CCS content for 1998/99. However CCS content is expected to improve to around 13.5 percent in 1999/2000 compared with 12.2 percent in 1998/99.

The harvested crop area for 1999/2000 is estimated by ABARE to be around 419,000 ha, 5,000 ha higher than in 1998/99. This increase is due to weather conditions not being as unfavorable as the year before, and a gradual expansion of inland producing area. The area harvested for the 2000/01 season is forecast to decrease slightly to 418,000 MT as ABARE believes current prices will make some inland development unsustainable.

The Australian Sugar Milling Council (ASMC) reports that unfavorable seasonal conditions will significantly reduce sugar cane yield in Queensland (accounting for 94 percent of Australian production). ASMC figures suggest that Queensland's crop yield in 1999 will decrease by nearly 10 MT to 87.68 MT compared to the previous years level of 97.13 MT/ha.

ABARE estimates that the average return for sugar sales for the 1999/2000 season will be A$257/MT, A$70MT lower than the previous year. The average price for 2000/2001 is forecast by ABARE to increase to A$267/MT, however post expects this to be revised to around A$240 MT.

Centrifugal Sugar

PSD Table						
Country	Australia					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Beginning Stocks	253	253	371	183	545	467
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	4871	4997	5367	5481	0	5629
TOTAL Sugar Production	4871	4997	5367	5481	0	5629
Raw Imports	1	1	1	1	0	1
Refined Imp.(Raw Val)	1	3	1	2	0	2
TOTAL Imports	2	4	2	3	0	3
TOTAL SUPPLY	5126	5254	5740	5667	545	6099
Raw Exports	3580	3896	4020	4025	0	4200
Refined Exp.(Raw Val)	180	180	180	180	0	180
TOTAL EXPORTS	3760	4076	4200	4205	0	4380
Human Dom. Consumption	995	995	995	995	0	995
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	995	995	995	995	0	995
Ending Stocks	371	183	545	467	0	724
TOTAL DISTRIBUTION	5126	5254	5740	5667	0	6099

Trade

Import Trade Matrix			
Country	Australia		
Commodity	Centrifugal Sugar		
Time period	Yr End 30 Jun	Units:	MT
Imports for:	1998		1999
U.S.	10	U.S.	73
Others		Others	
New Zealand	656	United Kingdom	1504
Singapore	412	China	890
Germany	386	Germany	344
China	294	The Netherlands	302
Mauritius	100	New Zealand	299
The Netherlands	89	Malaysia	144
Thailand	25	Mauritius	120
Belgium	22	Thailand	34
France	13	Hong Kong	21
Malaysia	8	Belgium	20
Total for Others	2005		3678
Others not Listed	41		52
Grand Total	2056		3803

Source: Australian Bureau of Statistics

Export Trade Matrix			
Country	Australia		
Commodity	Centrifugal Sugar		
Time period	Yr End 30 Jun	Units:	MT
Exports for:	1998		1999
U.S.	140000	U.S.	107663
Others		Others	
Rep of Korea	798520	Rep of Korea	695500
Japan	707900	Malaysia	641950
Malaysia	694457	Japan	638200
Canada	684837	Canada	616081
Iran	208000	New Zealand	204047
New Zealand	182427	Saudi Arabia	200000
Egypt	173000	Indonesia	157506
Indonesia	168000	Taiwan	154500
Saudi Arabia	160000	Egypt	88000
Taiwan	156000	The Philippines	83325
Total for Others	3933141		3479109
Others not Listed	375336		210554
Grand Total	4448477		3797326

Source: Queensland Sugar Corporation

Sugar Cane for Centrifugal

PSD Table						
Country	Australia					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Area Planted	0	0	0	0	0	0
Area Harvested	412	414	419	419	0	418
Production	40491	40239	40780	40600	0	45161
TOTAL SUPPLY	40491	40239	40780	40600	0	45161
Utilization for Sugar	40431	40179	40720	40540	0	45101
Utilization for Alcohol	60	60	60	60	0	60
TOTAL UTILIZATION	40491	40239	40780	40600	0	45161

Production

General

Sugar cane is predominantly grown along 2100 kilometers of north eastern Australia, between Maclean in northern NSW and Mossman in North Queensland. Most farms are within 50 kilometers of the coast. Approximately 94 percent of sugar cane is grown in Queensland, 5 percent in northern NSW, and 1 percent in the Ord River irrigation area in the Kimberley region of Western Australia. The Ord River area has been the subject of much speculation and unfulfilled hopes for a number of years. ABARE forecasts that due to disease problems in this area, production will fall to 48,000 MT in 2000/01, down from an estimated 52,000 MT in 1999/2000. ABARE project that Ord River production has the potential to reach 200,000 MT by 2004/05 as a result of the development of stage two of the irrigation scheme.

A joint venture between growers and CSR constructed a mill in the Ord River which has a capacity of 560,000 MT of cane a year. The mill is expected to target the domestic raw sugar market in Western Australia which consumes around 50,000 MT annually, with the remainder going to the near markets of Indonesia and other South East Asian countries.

The 1999/2000 sugar cane harvest is estimated at 40.6 MMT, a one percent increase on the 1998/99 season. The 1999/2000 crop experienced difficult seasonal conditions which has included a cyclone and flooding in the northern cane growing regions of Queensland. However the Commercial Cane Sugar (CCS) content for the 1999/2000 crop is expected to be around 13.5 percent, an increase of 1.3 percent on the previous year.

Assuming normal weather conditions, sugar production during 2000/01 is forecast to surpass the record 1997/98 season.

ABARE projects sugar production to reach 6.5 MMT by 2004/05. This projection partially relies on the continued expansion of the Ord River Scheme.

Queensland has expanded the amount of land under cane by over 30 percent since 1989. ABARE estimates that the total area of cane harvested has increased from 317,000 hectares in 1988/89 to an estimated 419,000 hectares in 1999/2000.

The sugar refining industry has undergone significant change in recent years, giving Australia the potential to become a significant exporter of white sugar. Whether significant exports occur will depend on the world white sugar premium.

Industry analysts currently estimate that Australia has the capacity to produce around 1.2 MMT of white sugar, a significant increase from the 850,000 MT capacity prior to 1989. Excess capacity of between 300,000 to 400,000 MT has resulted in sharp competition and heavy discounting on the domestic market.

Industry analysts indicate that profits have returned to the refining industry following the merger in early 1998 of the two largest sugar refiners CSR and Mackay Refined Sugars. The Australian Consumer and Competition Commission approved the merger with the understanding that the company would continue to sell refined sugar at competitive prices. The merger resulted in the 120,000 MT capacity New Farm refinery in Brisbane closing down. Some industry analysts believe that this move will vastly improve the profitability of the remaining refiners.

Sugar Australia (the joint venture between CSR and Mackay Refined Sugars) controls around 60 percent of the market, Manildra Harwood (a joint venture between the NSW Sugar Milling Cooperative and the Manildra group of companies) hold 20-25 percent of the market and Bundaberg (which was purchased by the international sugar company Tate and Lyle in 1991) holds the remainder.

The expansion in cane production has been accompanied by a significant increase in milling capacity in many regions. The average throughput by Queensland mills is currently around 1.2 MMT a year compared to 500,00 MT in 1970. Mills now crush around 500 MT per hour, up from around 220 MT in the early 1970's.

In Queensland many areas are now reviewing the balance between increased mill capacity and increased season length. In the expanding Burdekin region of Queensland mills claim it is not economic to make a capital investment to upgrade mill capacity. On the other hand growers are worried that if the season is extended the average sugar content in the cane will decrease.

Weather

Adverse weather conditions in Queensland caused reduced CCS content for 1998/99. However CCS content is expected to improve to around 13.5 percent in 1999/2000 compared with 12.2 percent in 1998/99.

Crop Area

The harvested crop area for 1999/2000 is estimated by ABARE to be around 419,000 ha, 5,000 ha higher than in 1998/99. This increase is due to weather conditions not being as unfavorable as the year before, and a gradual expansion of inland producing area. The area harvested for the 2000/01 season is forecast to decrease slightly to 418,000 MT as ABARE believes current prices will make some inland development unsustainable.

The area of land sown to sugar cane in Queensland was previously determined by a very regulated system. The Queensland Sugar Corporation (QSC) would annually set the maximum amount of sugar that each mill could deliver and receive the No. 1 pool price. Any sugar over this level was sold exclusively on the "risk" market i.e. the export market. The appropriate level of expansion for each mill has been determined at the local level since 1994. Under new legislation, any expansion will be based on the determination of the local cane production board after consideration of applications. This takes effect from the year 2000.

The assigned area for sugar cane increased by 42 percent between 1989 and 1998 according to the Australian Sugar Milling Council (ASMC). A further 2.8 percent was approved in 1999 for CY 2000. Current economic problems confronting the cane industry could not only limit interest in new cane production area, but could also delay full cane production in areas already allocated.

A recent industry study indicated that the harvested area of cane in Queensland could expand rapidly in the medium-term. Most of the expansion would occur in the Tully, Herbert, Burdekin and Proserpine areas. Production on the Atherton Tablelands is set to expand as tobacco growing is wound back and growers look to alternative enterprises.

The average land holding of sugar cane growers increased from 63 Ha in 1988 to 74 Ha in 1995.

Expansion occurred in NSW with the area harvested having increased by 31 percent in the six seasons to 1995. The area planted to cane is around 18,500 ha.

Movements in world prices, exchange rates, and seasonal conditions are major determinants in the rate of industry expansion.

Yields

The ASMC reports that unfavorable seasonal conditions significantly reduced 1999 sugar cane yields in Queensland (accounting for 94 percent of Australian production). ASMC figures suggest that Queensland's crop yield in 1999 fell nearly 10 MT to 87.68 MT/ha compared to the previous years level of 97.13 MT/ha.

Crop Quality

During the 1996/97 season the QSC and CSR Raw Sugar Marketing began working closely with industry groups to develop and implement a new raw sugar quality scheme. Local mills must develop sugar quality management programs designed to find the most cost effective way to consistently produce high quality raw sugar.

Cross Commodity Developments

The future of ethanol production depends primarily on the price of petrol. Recent increases in fuel prices provide potential for ethanol production to increase, however price increases are too recent for post to forecast significant changes in production levels.

Consumption

Utilization Patterns

In the early 1980's the sugar industry became alarmed at the decline in domestic per capita sugar consumption, which was partly due to the prevailing belief that sugar was detrimental to good health. The industry responded by heavily promoting the natural attributes of sugar and stressing that, in moderation, sugar was harmless and in fact provided energy. Recent campaigns include the themes "sugar...a natural part of life", "rain and shine", and “sugar...a natural part of health”. The latest campaign has the theme “Sugar: A natural part of a healthy life”. This campaign focuses on sugars’s role as a carbohydrate in healthy eating.

The industry continues to defend sugar against claims by artificial sweetener and other food manufacturers and promotes sugar’s role as the premium, safe and natural sweetener and preservative. Activities have included extensive liaison with health professionals, market research, a pro-active media program, assessment and response to all media coverage of nutrition issues and production and distribution of a wide range of nutrition information materials.

Nutritional information has also been targeted at key groups. These strategies have helped stabilize and may have helped to increase domestic sugar consumption.

The QSC has continued to promote the benefits of a fit and healthy lifestyle while raising community awareness of the Australian sugar industry through the sponsorship of athletics at the national level. The "Sugar Games" form part of the national athletics circuit.

Per capita consumption was estimated by the Australian Bureau of statistics (ABS) to be 48.4 kg/year in the 1996/97 year, slightly higher than the level achieved during 1988/89 year. The Australian Sugar Milling Council recently reported Australian domestic consumption at over 50 kg per capita, indicating that domestic consumption is increasing steadily. This compares with European countries at around 40kg/year and India and China at 12kg/head. The Australian industry is constantly monitoring domestic sugar consumption and attitudes to sugar, and subsequently adapts its marketing strategies and educational material.

The QSC places actual sugar consumption around five kilograms per head lower than the official estimate (ABS) due to the fact that some refined sugar and sugar containing products are exported (and therefore should be removed from the local consumption figure).

Over 70 percent of domestic sugar consumption is in manufactured food. The key market sectors for domestic sugar are as follows:

Non-alcoholic beverages	29
Retail sale	23
Confectionery	11
Bakery	8
Preserved foods	8
Alcoholic beverages	7
Dairy foods	5
Other	9

Since 1938/39 an increasing proportion of sugar has been consumed in manufactured goods, rising from 32 percent to 72 percent in 1992/93. At the same time, refined sugar consumption has fallen to around nine kilograms per capita per year.

Substitution

Refined sugar faces its strongest competition from fermentables such as glucose syrup, starch and some grain products which can be used in the production of beer. There is currently one dextrose and one High Fructose Syrup (HFS) manufacturing plant in Australia. The major starch source is wheat as Australian corn production is limited and often more expensive than wheat. Alternative sweeteners have had trouble increasing market share due to the aggressive marketing strategies employed by Australia's sugar producers.

The use of artificial sweeteners in Australia is strongly influenced by food regulations. The diet soft drink sector leads the demand for alternative sweeteners. Some intense sweeteners have not fared as well as aspartame, with a slump in Australian sales of cyclamates causing the closure of Australia's only cyclamate producing plant. The expiry of the Nutra Sweet patent at the end of 1992 has resulted in more products using either aspartame or sucralose. These products are expected to gradually replace more traditional sweeteners. Sales of saccharin are expected to increase in the next decade, although saccharin's share of the diet sweetener market will probably fall.

Prices

The 1989/90 season saw the end of the administered price arrangements for refined sugar and the import tariff was abolished on July 1, 1997. Sole acquisition rights in Queensland means that the QSC sells raw sugar to domestic refiners. Similar sole acquisition powers exist in NSW, however, the growers Co-op owns both the refinery and the mills.

ABARE estimates that the average return for sugar sales for the 1999/2000 season will be A$257/MT, A$70MT lower than the previous year. The average price for 2000/2001 is forecast by ABARE to increase to A$267/MT, however post expects this figure be revised to around A$240 MT.

In the past the QSC annually set the maximum amount of sugar that each mill could deliver. This sugar attracted the No.1 pool price. Sugar grown on assigned land over-and-above this amount received the lower No.2 pool price. The No.1 pool price was paid to the Queensland mill for sugar delivered to the Queensland Sugar Board, approximately one third of this was retained by the mill with the balance being paid to the cane grower.

The differential between the No.1 pool price and No.2 pool price was reduced from 12 percent during the 1992/93 season, to six percent in the 1996/97 season, and four percent in the 1997/98 season and was totally eliminated for the start of the 1998/99 season.

Prices for No.1 Pool Sugar

1997/98	343.00
1998/99	327.00
1999/2000(s)	257.00
2000/01(f)	267.00

(s) Estimate; (f) Forecast
SOURCE: ABARE

Trade

General

The lifting of the sugar import embargo in June 1989 led to the first imports of sugar into Australia, in commercial quantities, since 1915. Imports for the 1990 year totaled approximately 6,382 MT and climbed to 13,716 MT in 1992. Imports fell sharply between 1993 and 1995 and between 1995 and 1999 have remained around 2,000-3,000 MT. Over 50 percent of imports are refined sugar, with the balance being raw cane and beet sugar. Industry contacts suggest that the majority of these imports are Australian sugar, shipped raw, processed and then re-exported to Australia. Imports during 1997/98 were dominated by New Zealand, Singapore, Germany, and China.

Official Australian sugar export data are now only available well in arrears due to confidentiality restrictions being enforced by the Australian Bureau of Statistics (ABS). Post does however have access to Queensland export statistics provided by the Queensland Sugar Corporation (QSC). While these are not complete, they account for the vast majority of Australian sugar exports. The PS&D for the 1999 year differs slightly from the trade matrix as the trade matrix contains information from the QSC while the PS&D uses ABARE estimates. During 1998/1999 Korea, Malaysia, Japan and Canada remained Australia's largest export destinations.

The rapid growth in sugar consumption in Asia has prompted the Australian industry to move its focus to that region. Despite the economic problems experienced in Asian economies, the region accounted for 65 percent of exports during the 1998/99 season. This compares to just over 30 percent in the 1970's. North America accounted for 19 percent of exports during the same period. In addition to seeking new Asian markets, the Australian industry has increased sales recently to Bulgaria, Slovenia, Vietnam and the Philippines.

Policy

General

The Australian sugar industry has been undergoing a period of major transformation for a number of years. Regulation is being replaced by a more market orientated system.

The GOA and the Queensland Government undertook a review of the industry's marketing structure and the sugar import tariff in 1996. This review was conducted within the context of the National Competition Policy which aims to make Australian industries more competitive. The Sugar Industry Review Working Party's recommendations included: removing the tariff on imports of sugar into Australia; eliminating the pool price differential; pricing domestic sugar at export parity; and retaining acquisition and single desk selling of raw sugar on the export and domestic markets. Export parity pricing for domestic sugar was identified by the Queensland Minister for Primary Industries as part of the quid pro quo for keeping the single desk trading arrangements. These recommendations have now been put in place with the pool price differential ending at the start of the 1998/99 season.

The removal of the tariff has received criticism from some sectors of the Australian sugar industry, especially the NSW industry that relies almost totally on the domestic market. The GOA has responded by setting up a five member taskforce to review options to assist the adjustment process for the NSW industry.

Tariff Changes

The sugar import embargo was replaced in 1990 by a specific A$115/MT tariff on raw and refined sugar. In 1991 the tariff was lowered to A$76/MT and it was further reduced to A$55/MT by July 1992. This change was met with stiff opposition from the Australian sugar industry and some Australian politicians.

The GOA undertook a review of the industry's marketing structure, including the sugar import tariff in 1996. The Sugar Industry Review Working Party's recommendations included removing the tariff on imports of sugar into Australia. The sugar import tariff was removed on July 1,1997.